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TO AMEMBASSY SANTIAGO PRIORITY

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E.O. 11652: GDS TAGS: CI, SCUL

SUBJECT: ST. GEORGE'S SCHOOL

REF: A) SANTIAGO 0999; B) SANTIAGO 1088

- 1. DEPARTMENT CONSULTED HOLY CROSS CONGREGATION MARCH 6
 RE POINTS RAISED REFTEL A. ACCORDING TO FATHER WARNER,
 SPEAKING ON BEHALF OF PROVINCIAL LEWERS, CARDINAL SILVA BY
 MUTUAL AGREEMENT WITH CONGREGATION HAS AGREED TO WITHDRAW
 FROM ACTIVE NEGOTIATIONS WITH GOC ON ST. GEORGE'S PROBLEM.
 CARDINAL REPORTEDLY IS READY TO REENTER IF HIS HELP IS
 REQUESTED BY CONGREGATION. THUS, AS FAR AS CONGREGATION
 IS CONCERNED, ONLY OPERATIVE PROPOSAL TO RESOLVE DISPUTE
 IS ITS FEBRUARY 6 OFFER COMMUNICATED TO GOC THROUGH
 AMBASSADOR HEITMANN. WARNER STATED THAT CARDINAL HAS
 INDICATED HE WILL WRITE TO EDUCATION MINISTER STATING HE
 CANNOT ACCEPT GOC'S LAST OFFER FOR SETTLEMENT SINCE "IT
 WOULD NOT REPRESENT CATHOLIC SCHOOL AND ANY SETTLEMENT
 WILL HAVE O DEAL WITH CONGREGATION."
- 2. BELLALTA'S ROLE DATES BACK TO MIDDLE JANUARY WHEN HE WAS ASKED TO ASSIST CONGREGATION RESIDENT IN SANTIAGO. AS CONFIDENTIAL

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CARDINAL'S REPRESENTATIVE HE PRESUMABLY HAS ALSO WITHDRAWN

FOR THE MOMENT. CONGREGATION HAS REITERATED TO ITS
RESIDENT IN SANTIAGO THAT NEGOTIATIONS ARE TO BE CONDUCTED
DIRECTLY FROM PROVINCIAL HEADQUARTERS IN SOUTH BEND THROUGH

HEITMANN CHANNEL IN WASHINGTON. INSTRUCTIONS TO THIS EFFECT TO RESIDENT IN SANTIAGO FOLLOWED DEPARTMENT'S EARLIER EXPRESSION OF CONCERN TO CONGREGATION THAT IT APPARENTLY WAS CONDUCTING DUAL CHANNELS OF NEGOTIATION. CONGREGATION INSISTS THIS WAS NOT THE CASE AND THAT RESIDENT WAS ONLY EMPOWERED TO ACT AS CARETAKER OF PROPERTY RIGHTS.

- 3. RE FATHER PLASKER, WARNER SAID LATTER HAS BEEN AT HIS RESIDENCE IN PENALOLEN SINCE FEBRUARY 24 AND IS NOT REPEAT NOT IN HIDING. WARNER, HOWEVER, AGREED IT WOULD BE USEFUL TO HAVE PLASKER CONTACT THE EMBASSY AND WILL SO SUGGEST TO HIM.
- 4. WARNER BELIEVES CONGREGATION'S LATEST (FEBRUARY 6) PROPOSAL IS AVAILABLE TO EMBASSY VIA SANTIAGO RESIDENT. IF NOT, FOLLOWING ARE MAJOR ELEMENTS THEREOF: A) IMMEDIATE LIFTING OF INTERVENTION; B) NAMING OF NEW RECTOR BY PROVINCIAL FROM OUTSIDE CHILE (READ SOUTH BEND); C) CREATION OF "ADVISORY BOARD" TO RECTOR; D) ADVISORY BOARD TO CONSIST OF 7 MEMBERS APPOINTED BY PROVINCIAL, 2 BY CARDINAL AND 2 BY EDUCATION MINISTER; E) WILLINGNESS TO DISCUSS FINANCIAL SITUATION; F) FULL COMPLIANCE WITH ALL CHILEAN LAWS AND REGULATIONS APPLYING TO EDUCATION; AND G) WITHDRAWAL OF FATHERS PLASKER, WHELAN, TWO NUNS AND SEMINARIAN NEIDHARDT.
- 5. REPORT REFTEL B CORRECT. WARNER WILL ACCOMPANY FATHER GALLAGHER, ASSISTANT PROVINCIAL, IN "REGULAR CANONICAL" VISIT TO CHILE, MARCH 17-25. WARNER SAID PURPOSE OF VISIT IS TO CONDUCT REGULAR CONGREGATION BUSINESS BUT THAT GALLAGHER AND HE WOULD BE PREPARED TO DISCUSS SITUATION WITH APPROPRIATE CHILEAN AUTHORITIES IF BELIEVED USEFUL. HE ALSO SAID HE WOULD CONTACT DCM ON ARRIVAL.

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- 6. WARNER HAS MADE CLEAR IN ALL RECENT DISCUSSIONS WITH DEPARTMENT THAT CONGREGATION IS MORE THAN WILLING TO REACH REASONABLE SETTLEMENT AND IS PREPARED TO NEGOTIATE ON ALL POINTS CITED ABOVE. HOWEVER, CONGREGATION INSISTS ON REGAINING "EFFECTIVE CONTROL" OF SCHOOL.
- 7. SINCE AGREEMENT BETWEEN CONGREGATION AND CARDINAL APPEARS TO HAVE BEEN REACHED AS TO HOW NEGOTIATIONS

SHOULD BE CONTINUED AND ON WHAT TERMS, WE SUGGEST YOU EMPHASIZE IN DISCUSSIONS WITH CHILEAN AUTHORITIES THAT SUCH RELATIVELY MINOR PROBLEM WHICH SEEMS CLEARLY SUSCEPTIBLE TO REASONABLE SOLUTION SHOULD NOT BE PERMITTED TO MAKE MORE DIFFICULT GREATER ISSUES OF BILATERAL INTEREST

AT STAKE. NOTWITHSTANDING FUNCTIONAL NATURE OF PROBLEM AND SENSITIVITIES ON BOTH SIDES CONCERNING SCHOOL'S RECENT HISTORY, FACT REMAINS THAT AT TIME WHEN GOC IS RETURNING PROPERTIES EXPROPRIATED BY ALLENDE GOVERNMENT IT HAS ITSELF TAKEN OVER PROPERTY BELONGING TO U.S. PRIVATE INTEREST IN FORM OF ST. GEORGE'S SCHOOL. IMPLICATIONS OF SUCH ACTION, SHOULD THIS BECOME A PUBLIC ISSUE IN THE U.S., ARE ALL TOO PREDICTABLE, GIVEN PREDISPOSITION OF CERTAIN SECTORS TO EXPLOIT SUCH SITUATIONS.

8. FYI IN MARCH 7 DISCUSSION WITH OFFICE DIRECTOR
KARKASHIAN, JUNTA PRESS SECRETARY WILLOUGHBY INDICATED
GEN PINOCHET HAS "REACHED DECISION" FOR SETTLEMENT BASED
ON "4 TO 3 BOARD OF DIRECTORS SPLIT", WITH PARENTS AND
GOC HAVING TWO VOTES EACH AND CONGREGATION RECEIVING
THREE. KARKASHIAN POINTED OUT THAT U.S. OWNERS WOULD
NOT ACCEPT MINORITY POSITION AS SATISFYING THEIR REQUIREMENT OF REGAINING EFFECTIVE CONTROL OF THEIR PROPERTY.
FURTHER, GOC HAD, AFTER ALL, LAST WORD ON WHAT WAS TAUGHT
IN THE SCHOOL THROUGH EXISTING LAW AND REGULATION REGARDLESS OF HOW SCHOOL BOARD MIGHT BE DIVIDED UP. WILLOUGHBY
OFFERED NO FURTHER COMMENT BEYOND GENERAL ACCEPTANCE
OF THESIS THAT THIS TROUBLESOME MATTER SHOULD BE RESOLVED
AS QUICKLY AS POSSIBLE. KISSINGER

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